

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>POSEN AREA FIRE AND RESCUE</b>	County <b>PRESQUE ISLE</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>6/22/05</b>	Date Accountant Report Submitted to State: <b>6/28/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

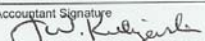
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>J.W. KIELISZEWSKI CPA PC</b>			
Street Address <b>476 NORTH THIRD STREET</b>		City <b>ROGERS CITY</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49779</b>	Date <b>6/28/05</b>

**POSEN AREA FIRE AND RESCUE**

**Report on Financial Statements  
For the Fiscal Year Ended March 31, 2004**

## **POSEN AREA FIRE AND RESCUE**

### **TABLE OF CONTENTS**

Independent Auditor's Report.....	3-4
Combined Statement of Assets and Fund Equity Arising from Cash Transactions – Governmental Fund.....	5
Statement of Receipts Collected, Disbursements Paid and Changes in Fund Balance.....	6
Statement of Receipts Collected, Disbursements Paid and Changes in Fund Balance – Budget and Actual.....	7
Notes to Financial Statements.....	8-11
Statement of Receipts Collected – Budget and Actual.....	12
Statement of Disbursements Paid – Budget and Actual.....	13
Statement of General Fixed Assets.....	14
Report on Compliance and Internal Control.....	15-16
Letter of Comments and Recommendations.....	17-19

June 22, 2005

Posen Area Fire and Rescue  
Board of Directors  
12805 Green Road  
Posen, Michigan 49776

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statements of assets and liabilities arising from cash transactions of the Posen Area Fire and Rescue, Posen, Michigan, as of and for the fiscal year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Fire and Rescue's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

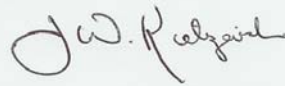
As described in Note 2, the Posen Area Fire and Rescue's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. This practice differs from generally accepted accounting principles. Determination of the effects on the various fund type revenues, expenditures, and fund balances was not practicable.

In my opinion, except for the effects of the lack of application of modified accrual accounting, based on my audit the financial statement present fairly only the cash and unencumbered cash balances at March 31, 2004, and receipts collected and the disbursements paid of such fund type for the fiscal year then ended, on the basis of accounting as discussed in the third paragraph. In accordance with Government Auditing Standards, I have also issued a report dated June 22, 2005 on my consideration of the

Posen Area Fire and Rescue  
Independent Auditor's Report  
Continued

Posen Area Fire and Rescue's internal control structure and on its compliance with laws and regulations.

The individual statements listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the general-purpose financial statements of the Posen Area Fire and Rescue. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.



**POSEN AREA FIRE AND RESCUE  
COMBINED STATEMENT OF ASSETS AND FUND BALANCE  
ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUND  
March 31, 2004**

	General Fund	General Fixed Assets	Total (Memo Only)
<b><u>ASSETS</u></b>			
Cash	\$ 2,224	\$ -	\$ 2,224
Fixed Assets	<u>-</u>	<u>323,803</u>	<u>323,803</u>
Total Assets	<u>\$ 2,224</u>	<u>\$ 323,803</u>	<u>\$ 326,027</u>
 <b><u>FUND EQUITY</u></b>			
Investments in Fixed Assets	\$ -	\$ 323,803	\$ 323,803
Fund Balance - Unreserved	<u>2,224</u>	<u>-</u>	<u>2,224</u>
Total Fund Equity	<u>\$ 2,224</u>	<u>\$ 323,803</u>	<u>\$ 326,027</u>

**The Notes to Financial Statements are an integral part of this statement.**

**POSEN ARE FIRE AND RESCUE  
STATEMENT OF RECEIPTS RECEIVED, DISBURSEMENTS  
PAID, AND CHANGES IN FUND BALANCE  
For the Year Ended March 31, 2004**

**RECEIPTS**

Contributions from Local Units	\$ 28,878
Interest and Rents	1
Grants and Other Revenue	<u>9,495</u>
 Total Receipts	 <u>38,374</u>

**DISBURSEMENTS**

Public Safety	31,710
Capital Outlay	<u>12,772</u>
 Total Disbursements	 <u>44,482</u>

Excess of Receipts Over (Under) Disbursements	 <u>(6,108)</u>
--	--------------------

Fund Balance - April 1, 2003	<u>8,332</u>
------------------------------	--------------

Fund Balance - March 31, 2004	<u>\$ 2,224</u>
-------------------------------	-----------------

**The Notes to Financial Statements are an integral part of this statement.**

**POSEN AREA FIRE AND RESCUE**  
**STATEMENT OF RECEIPTS RECEIVED, DISBURSEMENTS PAID**  
**AND CHANGES IN FUND BALANCE – BUDGET TO ACTUAL**  
**For the Fiscal Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavbl) <u>Variance</u>
<b><u>RECEIPTS</u></b>			
Contributions from Local Units	\$ 36,885	\$ 28,878	\$ (8,007)
Interest and Rents	-	1	1
Grants and Other Receipts	<u>-</u>	<u>9,495</u>	<u>9,495</u>
 Total Receipts	 <u>36,885</u>	 <u>38,374</u>	 <u>1,489</u>
<b><u>DISBURSEMENTS</u></b>			
Public Safety	33,048	31,710	1,338
Capital Outlay	<u>3,837</u>	<u>12,772</u>	<u>(8,935)</u>
 Total Disbursements	 <u>36,885</u>	 <u>44,482</u>	 <u>(7,597)</u>
 Excess of Receipts Over (Under) Disbursements	 <u>-</u>	 <u>(6,108)</u>	 <u>(6,108)</u>
 Fund Balance - April 1, 2003	 <u>8,332</u>	 <u>8,332</u>	 <u>-</u>
 Fund Balance - March 31, 2004	 <u>\$ 8,332</u>	 <u>\$ 2,224</u>	 <u>\$ (6,108)</u>

**The Notes to Financial Statements are an integral part of this statement.**



**POSEN AREA FIRE AND RESCUE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 -- DESCRIPTION OF FIRE DEPARTMENT OPERATIONS**

The Posen Area Fire and Rescue is located in Presque Isle County and provides fire protection services to the townships of Krakow, Metz, Posen and Pulawski. The Posen Area Fire and Rescue is governed by a five member board of directors, consisting of a member from each township and one member at large from the Township of Posen by virtue of that township having the largest population of the member townships and that it encompasses the Village of Posen. The board consists of the chairperson, clerk/treasurer, and three trustees, all of whom reside in the respective townships.

**REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity," these financial statements present the Posen Area Fire and Rescue, a separate entity formerly under the authority of the Rural Cooperation Act, with its four members being the townships of Krakow, Metz, Posen and Pulawski. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Posen Area Fire and Rescue.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The accounts of the Posen Area Fire and Rescue are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements.

**GOVERNMENTAL FUNDS**

**Operating Fund**

The Operating Fund is the general operating fund of the Posen Area Fire and Rescue. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from township contributions, fire calls and grants for the administration and operation of the Fire and Rescue. The fund includes the general operating expenditures of the Posen Area Fire and Rescue.

### **MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

### **Governmental Funds**

The governmental fund types use a financial resources measurement focus and are accounted for using the cash basis of accounting. Under the cash basis of accounting, revenues are recorded when received and expenditures are recorded when paid. The accounting policies of the Posen Area Fire and Rescue do not conform to generally accepted accounting principles as applicable to governmental units, which should be recorded on a modified accrual basis of accounting.

### **Account Groups**

General Fixed Assets Account Group: This asset group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

### **Budgets and Budgetary Accounting**

The annual budget is prepared by the secretary/treasurer and adopted by the board of directors at the annual public hearing. The board of directors approves all subsequent amendments to the budget. The general operating fund is under formal budgetary control on an activity basis. The budget has been prepared on a cash basis, which is not in accordance with generally accepted accounting principles, but is consistent with the basis of accounting reported in the financial statements. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. This year, expenditures exceeded budgeted funds with regard to Capital Outlay by \$8,935. This violation of the code occurred due to not recording the revenue from a private grant and its related expenditure on the books of the account, which would have allowed the Clerk to recognize the budget was not amended. An audit entry to the Financial Statements was recorded to report the transaction.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

### **NOTE 3 – LEGAL NONCOMPLIANCE**

The Posen Area Fire and Rescue has failed to establish or maintain a formal accounting system in accordance with the Uniform Chart of Accounts as required by PA 2 of 1968, as amended (MCL 141.421).

The Posen Area Fire and Rescue has failed to adopt an investment policy in accordance with PA 196 of 1997.

As noted previously in Note 2, the Posen Area Fire and Rescue is in technical violation of P A 621 of 1978 of the Uniform Accounting and Budgeting Act with regard to the Capital Outlay account.

### **NOTE 4 – BALANCE SHEET CASH AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Posen Area Fire and Rescue's deposits are in accordance with statutory authority.

Deposits are carried at cost. Deposits of the Posen Area Fire and Rescue are at one bank in the name of Posen Area Fire and Rescue. As of March 31, 2004, the board had not adopted an investment policy in accordance with PA 196 of 1997.

Total deposits and investments and the GASB Statement No. 3, risk disclosures for deposits, are as follows:

<u>Cash</u>	<u>Bank Balance</u>	<u>Book Balance</u>
Cash and Deposits		
Deposits		
Insured (FDIC)	\$ 2,284	\$ 2,284
Uninsured	<u>-</u>	<u>-</u>
Total Imprest Cash and Deposits	<u>\$ 2,284</u>	<u>\$ 2,284</u>

## **NOTE 5 – CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance 3/31/2003	Additions	Deletions	Balance 3/31/2004
Office Equipment	\$ 2,145	\$ 317	\$ -	\$ 2,462
Equipment	32,886	12,455	-	45,341
Vehicles	<u>276,000</u>	<u>-</u>	<u>-</u>	<u>276,000</u>
Total	<u>\$ 311,031</u>	<u>\$ 12,772</u>	<u>\$ -</u>	<u>\$ 323,803</u>

## **NOTE 6 – DEFINED CONTRIBUTION PLAN**

The Posen Area Fire and Rescue provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Traveler's Company, the Posen Area Fire and Rescue contributes 4% of employees' gross earnings and employees contribute 6% of earnings.

In accordance with these requirements, the Posen Area Fire and Rescue contributed \$320 during the current fiscal year and employees contributed \$479.

## **NOTE 7 – RISK MANAGEMENT**

The Posen Area Fire and Rescue is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Posen Area Fire and Rescue has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmen's compensation. There were no reductions in the current fiscal year.

**POSEN AREA FIRE AND RESCUE  
STATEMENT OF RECEIPTS RECEIVED  
BUDGET AND ACTUAL  
For the Fiscal Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavbl) <u>Variance</u>
Contributions - Townships			
Krakow	\$ 12,267	\$ 10,088	\$ (2,179)
Metz	5,820	4,833	(987)
Posen	12,097	10,128	(1,969)
Pulawski	6,701	3,829	(2,872)
Charges for Services			
Fire Runs	-	445	445
Interest and Other			
Interest Earned	-	1	1
Other Receipts			
PIE&G Grant	<u>-</u>	<u>9,050</u>	<u>9,050</u>
Total Operating Receipts	<u>36,885</u>	<u>38,374</u>	<u>1,489</u>
Total Operating Receipts and Other Financing Sources	<u>36,885</u>	<u>\$ 38,374</u>	<u>\$ 1,489</u>
Fund Balance - April 1, 2003	<u>8,332</u>		
Total Budget	<u>\$ 45,217</u>		

**The Notes to Financial Statements are an integral part of this statement.**

**POSEN AREA FIRE AND RESCUE**  
**STATEMENT OF DISBURSEMENTS PAID – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended March 31, 2004**

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavbl) <u>Variance</u>
Operating Disbursements			
Wages and Fringes			
Chief	\$ 1,880	\$ 1,880	\$ -
Assistant Chief	500	470	30
Firemen	4,181	4,107	74
Clerical	1,128	1,128	-
Pension	800	799	1
Office Expense	500	403	97
Postage/Shipping	131	131	-
Other Consumables			
Operating Disbursements	1,300	1,180	120
Dues/Milleage	491	491	-
Snow Removal	250	80	170
Telephone	1,000	838	162
Education and Training	27	26	1
Notices/Publications	200	133	67
Insurance	9,240	9,240	-
Heat	870	870	-
Truck Maintenance	4,900	4,577	323
Rent	4,050	4,050	-
Miscellaneous	2,000	33	1,967
First Responders	600	600	-
Gas/Oil	<u>1,000</u>	<u>674</u>	<u>326</u>
Total Operating Disbursements	<u>35,048</u>	<u>31,710</u>	<u>3,338</u>
Capital Outlay	<u>3,837</u>	<u>12,772</u>	<u>(8,935)</u>
Total Disbursements	<u>38,885</u>	<u>44,482</u>	<u>\$ (5,597)</u>
Fund Balance - April 1, 2003	<u>8,332</u>		
Total Budget	<u>\$ 47,217</u>		

**The Notes to Financial Statements are an integral part of this statement.**

**POSEN AREA FIRE AND RESCUE  
GENERAL FIXED ASSETS GROUP OF ACCOUNTS  
BALANCE SHEET**

**March 31, 2004**

ASSETS

Office Equipment	\$ 2,462
Equipment	45,341
Vehicles	<u>276,000</u>
Total Assets	<u>\$ 323,803</u>

FUND BALANCE

Investments in General Fixed Assets - 3/31/04	<u>\$ 323,803</u>
---	-------------------

**The Notes to Financial Statements are an integral part of this statement.**

June 22, 2005

Board of Directors  
Posen Area Fire and Rescue  
12805 Green Road  
Posen, Michigan 49776

Re: Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Board of Directors:

I have audited the financial statements of the Posen Area Fire and Rescue as of and for the fiscal ended March 31, 2004 and have issued my report thereon dated August 30, 2004. As described in Note 2, the Posen Area Fire and Rescue's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Posen Area Fire and Rescue's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

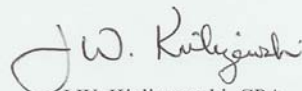
In planning and performing my audit, I considered Posen Area Fire and Rescue's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material



Posen Area Fire and Rescue  
Report on Compliance and Internal Control  
Continued

weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management of the Posen Area Fire and Rescue and other regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

  
J.W. Kieliszewski, CPA

June 22, 2005

476 NORTH THIRD STREET  
ROGERS CITY, MICHIGAN 49779  
TELEPHONE (517) 734-4844

**LETTER OF COMMENTS AND RECOMMENDATIONS**

Board of Directors  
Posen Area Fire and Rescue  
12805 Green Road  
Posen, Michigan 49776

Dear Board of Directors:

I wish to express my appreciation for the fine cooperation extended to me during the audit of your financial statements.

At one of your next regular Board Meetings the audited Financial Statements should be formally accepted and the copy marked for this purpose made a part of your Minute Book. I will plan to attend that meeting and be prepared to make a brief presentation on the audit.

Prior to this audit I obtained written permission from Posen Area Fire and Rescue officials to disclose immediately any findings of suspected fraud and/or embezzlement directly to the Deputy State Treasurer. During the course of the audit I noted no instances of suspected fraud and/or embezzlement.

The following comments and recommendations are submitted in the interest of improved accounting procedures, closer compliance with the various state and federal regulations and requirements:

**NONCOMPLIANCE WITH STATUTES AND REGULATIONS**

Uniform Chart of Accounts

Posen Area Fire and Rescue does not fully comply with the uniform chart of accounts. The Posen Area Fire and Rescue is required to maintain a classification of accounts in accordance with the Uniform Chart of Accounts for Counties and Local Units of Governments in Michigan issued by the Michigan Department of Treasury, Local Audit and Finance Division, under the authority of Public Act 2 of 1968, as amended, and Public Act 71 of 1919, as amended.

The primary objective of this classification of accounts is to provide a means for the accumulation of financial information, which will be uniform for all local units. Secondly, the accounts are provided to facilitate the preparation of prescribed reports. Thirdly, the chart follows generally accepted accounting principles and Michigan law. A strict adherence to this classification of accounts will assure responsible local officials

and the general public that similar transactions are recorded in the same manner, not only within a local unit but also among local units.

I recommend adherence to the Uniform Chart of Accounts and procedures, which will facilitate budgeting, budget management, and financial reporting.

### Investment Policy

I found the Posen Area Fire and Rescue has not adopted an official investment policy. Public Act 196 of 1997 requires every local unit governing body to adopt an investment policy, which includes specified matters. The policy had to be adopted within 180 days after the end of the local unit's first fiscal year that ended after December 31, 1997 (which would have been September 30, 1998).

I recommend that an investment policy be established in accordance with Public Act 196 of 1997. A sample has been provided for your consideration.

### Public Act 621 – Uniform Accounting and Budgeting Act

Expenditures exceeded budgeted funds with regard to Capital Outlay by \$8,935, which is technically a violation of Public Act 621. This violation occurred due to incorrectly booking the revenue from a private grant directly against the capital outlay expenditure account as an offset, and also resulted in understatement of revenue for the fiscal year.

I recommend recording such a contribution directly to the revenue account, which results in proper presentation of both revenue and expenditure.

### **GASB 34 COMPLIANCE**

The implementation for GASB 34 for the Posen Area Fire and Rescue is for the year started April 1, 2005 and ending March 31, 2006. Fortunately, entities with a year end of March 31, 2005 will serve as a model for us and will no doubt be available for review prior to the completion of the next audit. This gives us time to implement whatever changes need to be made. Two areas in particular should be addressed:

#### 1. Capitalization Policy

You currently have a General Fixed Asset group of accounts, so the assets are all identified. Once identified, the Board needs to decide what is a material capitalization amount. There are two asset classes; while some describe them as sensitive and non-sensitive, the best explanation is to think of them as movable or non-movable. A building or other type of infrastructure cannot usually be stolen or lost; a computer, calculator, vehicle, etc. can. Thus, to safeguard assets, I suggest capitalization policies and depreciation of the same for movable assets at \$200 and non-movable assets at \$500. I further suggest you adopt the following life expectancies for depreciation:

Posen Area Fire and Rescue  
Letter of Comments and Recommendations  
(Continued)

Buildings	40 years
Building Improvements	30 years
Infrastructure	20 years
Furniture	15 years
Computers & Electronic Equipment	5 years

2. Management's Discussion and Analysis (MD&A)

While small entities can elect out of this requirement of GASB 34, I feel it is something with which you can comply. It gives the Board an opportunity to voice its objectives, goals, successes, failures, further visions, etc. It need not be wordy or have any specific length. An honest, easy to understand statement will effectively communicate the facts of your financial statements, and I believe will help focus the leadership of the Posen Area Fire and Rescue. I believe the Michigan governmental website will provide some examples in the future, so have someone keep checking.

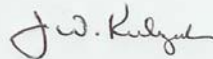
ACCEPTANCE BY BOARD OF AUDITED FINANCIAL STATEMENTS

It is recommended that these Audited Financial Statements and recommendations be accepted by the Board by a motion similar to the following:

"Moved by \_\_\_\_ and seconded by \_\_\_\_ that the 2003-2004 Audited Financial Statements be accepted as presented and that, insofar as possible, the recommendations made by our auditor in his Letter of Comments and Recommendations be followed."

As indicated, I will plan to attend one of your next regular Board Meetings. Please let me know your preferred date as soon as possible.

Sincerely,



J.W. Kieliszewski